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**HYDRO POWER AND ENERGY
PLANNING PROJECT (HPEP)**

THE SUMMARY OF THE “SOCIO-ECONOMIC DEVELOPMENT STRATEGY FOR GEORGIA, GEORGIA 2020”

February, 2014

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USAID/CAUCASUS OFFICE OF ENERGY AND ENVIRONMENT

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1. SUMMARY

The Ministry of Economy and Sustainable Development and the Ministry of Finance of Georgia have developed a proposed Socio-Economic Development Strategy, referred to as Georgia 2020. The HPEP team reviewed the proposed draft strategy to determine what activities within the energy sector are proposed and therefore should be included in the national Energy Strategy.

The aim of the Government of Georgia's (GoG) proposed national economic strategy is to benefit a significant part of the Georgian population from an inclusive national economic growth. The strategy describes those priorities and problems which are important to be addressed in order to achieve a long term inclusive and sustainable economic growth.

The GoG strategy defines the following main priority directions for achieving such inclusive economic growth:

- 1) Improve investment and business environment;
- 2) Support development of innovations and technologies;
- 3) Support export growth;
- 4) Develop infrastructure and maximum utilization of country's transit potential;
- 5) Develop labor force according to the labor market requirements;
- 6) Improve social security system;
- 7) Ensure available and qualified health care; and,
- 8) Mobilize financial resources and developing financial brokerage.

The draft strategy describes each of those priorities, starting from review of the historical path through existing situation, main policy directions within a priority and expected results and measures. Even though each priority has its own targets and expected results to achieve, generally "Georgia 2020" aims to achieve the following targets for the year of 2020:

Indicator	Current Measure	Target
GDP per capita (GEL)	5,812	13,000
Gini Coefficient	0.41	0.35
Inflation, %	-0.9	4.0
Unemployment, %	15.0	13.5
Share of Taxes into GDP, %	24	25
Share of Export into GDP, %	35	50
Share of Current Accounts into GDP, %	6.7	6
Share of government debt into GDP, %	34	<40

2. ENERGY RELATED ISSUES

The issues related to the energy sector are under priority # 4, "Develop infrastructure and maximizing the utilization of country's transit potential."

Stable and available energy supply is envisioned as an important factor for improving competitiveness of private sector and utilization of Georgia's transit potential. The main direction for energy policy still remains utilization of domestic energy resources and especially hydropower, in order to reduce energy import dependency and

increase energy security. Also, the strategy underlines increasing FDIs through further improvement of enabling environment and regulatory mechanisms. At the same time, the strategy paper raises the following problems in the sector: complexity of connection to the distribution network, technical limitations in the energy distribution network creates problems of stable supply and service quality and lack of competition in the “distribution business”.

The main energy policy directions are:

- Increase energy independence
- Increase energy efficiency
- Develop competitive market and simplify connection to the energy sources
*“..Implementation of **GEMM 2015** where one direction is to unbundle distribution and supply functions in distribution companies - that means to allow several supply companies...”*
- Support electricity export
*“In order to augment export areas it is important to become a member of Energy Community and implement **GEMM 2015**”...*

Implementation targets related to the energy sector are shown in the table below.

Target	Base	2017	2020
Electricity Production(TWh)	9.7	11.8	13.7
Access to Electricity (According to Doing Business Report)	50	35	25

3. MONITORING AND EVALUATION

The proposed “Georgia 2020” provides a list of main indicators of expected results and to measure in the future the progress made in meeting the goals of the strategy. In order to coordinate activities given in the strategy and also to cooperate with interested parties, a National Development Council (NDC) will be created.

In order to achieve the goals given in the strategy and also to evaluate the progress made:

- The GoG will complete Annual Reports regarding the status of the policy implementation. The report will be reviewed by NDC.
- The GoG will complete a re-evaluation in 2017 of the economic policy and factors that hinder inclusive economic growth and medium term evaluation of the progress made during 2014-2017.

Conjunction between Parliament and the Ministries:

The main policy directions will be adopted by the Parliament. Medium term activity plans will be developed by corresponding Ministries based on their competences for achieving strategic priorities.

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